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ABSTRACT

Noting that 182,000 of Wisconsin's children are living below the poverty line, this report documents factors affecting the working poor of Wisconsin, combining labor market and wage data with profiles of families and their children from communities throughout the state. The report documents the surge in poverty-wage jobs in Wisconsin over the past 20 years and its impact on workers and their families. The report concludes with policy recommendations to improve Wisconsin's existing system of work supports and tax credits to more effectively assist working poor families. The policy recommendations are designed to build systems that make work pay and support working families. Included throughout the report's policy section are "best practices," innovative program ideas that demonstrate concrete, feasible options for the state. (EV)

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Barely Getting By: Wisconsin's Working Poor Families

A Joint Report of the Center on Wisconsin Strategy, the Institute for Wisconsin's Future and the Wisconsin Council on Children and Families

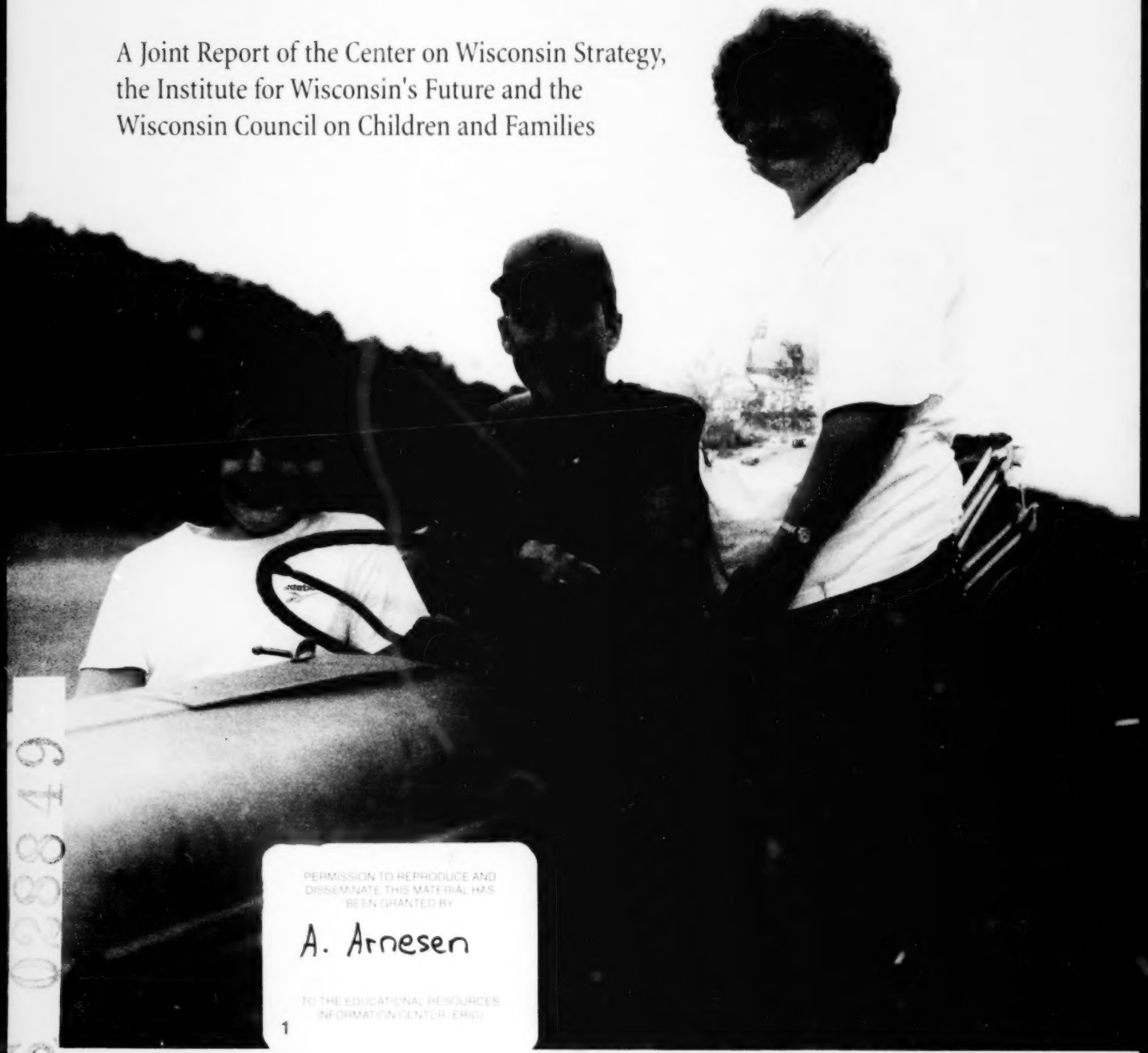

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Table of Contents

I. Introduction 3

II. Wisconsin's Working Poor Families 5

Too many workers have low wage jobs 5

Low wage jobs lead to poverty for Wisconsin families 7

What's behind the working poor problem? 9

Job growth is concentrated in low-paying industries 9

Lack of full-time, year-round jobs 10

Workers get caught in the low-wage career trap 10

Low wages are a problem throughout the state 13

III. Policy Recommendations 16

Make work pay 16

Support working families 18

IV. Data Sources and Definitions 21

Introduction

It may seem like an odd time to worry about the quality of jobs in our state. In recent years, Wisconsin's economic growth has been exceptionally strong. During the economic expansion of the 1990's, state per capita income grew almost 10 percent — this is 60 percent faster than the national growth rate. At the same time, the newly established welfare replacement program resulted in a drop in the welfare caseload from 30,000 to 5,000 families in less than three years, moving thousands of low-income families into the labor market.

However, while many state residents are celebrating this new prosperity, tens of thousands of Wisconsin working families have not yet achieved even minimal financial security. Approximately one in eleven families, along with 182,000 of Wisconsin's children, are living below the poverty line. Three out of every ten workers earn poverty-level wages. Food pantries and homeless shelters throughout the state are seeing record breaking demand, with testimony that, unlike past years, a large number of those seeking assistance are working families.

A large segment of working families are locked out of jobs that pay family supporting wages and are unaware of or unable to access critical support services like health care, child care and transportation assistance. These working families struggle, often unsuccessfully, to make ends meet. Wisconsin's booming economy is clearly not paying off for everyone.

Barely Getting By: Wisconsin's Working Poor Families documents key factors affecting this largely invisible segment of Wisconsin's workforce, combining labor market and wage data with profiles of families from communities throughout the state. The report documents the surge in poverty-wage jobs in Wisconsin over the past 20 years, and its impact on workers and their families.

Behind every economic trend or piece of data are real families. We profile five Wisconsin families whose stories describe the numerous challenges—beyond finding a good job—that the working poor face every day.

We conclude the report with policy recommendations to improve Wisconsin's existing system of work supports and tax credits to more effectively assist working poor families. These policy recommendations are designed to build systems that make work pay and support working families so that the state's prosperity can be more broadly shared. Included throughout the report's policy section are "best practices" – innovative program ideas that demonstrate concrete, feasible options for our state.

family profile

The Alvarez Family: Milwaukee

John and Danny Alvarez are brothers living together in a small, barely furnished apartment with their five children. John is the 34-year-old father of Nina, fifteen, Serena, fourteen, and Dyana, seven. Their mother maintains an active role in their lives although she does not live with them and lost custody four years ago. John speaks for the whole family: "We have a hard time but we are trying to do our best for the kids, because they are the most important thing. I have tried to keep my family together." Danny, 22, has two children – Destiny, who is six, and Xavier, age four. He also has a girlfriend in Chicago who is eight months pregnant with his baby. They hope to marry this year if they can save some money.

John works sporadically putting siding on homes. The work is seasonal and unpredictable, and meeting monthly expenses is a constant juggling act. Danny works half time as a dishwasher at a suburban chain restaurant. This minimum wage job covers their rent. Fortunately, heat is included. The family has no car and no telephone. Except for a refrigerator and a television, there are no appliances so electricity costs are minimal. John receives food stamps for the seven-member family. Their diet largely consists of macaroni and cheese, cheap frozen pizza and hot dogs.

John also gets some help from W-2. He has health insurance, which allows them to get services from the community-based 16th Street Health Center. Says John, "My girls have had some bad experiences. We are trying to get the older girls some counseling and Nina is signed up for the Big Sisters' Program."

The Salvation Army programs have been critical for the family. The church picks the kids up for services every Sunday and has a special girls' program on Tuesday nights. They also provide clothing and shoes at the beginning of the school year and sponsor a summer camp. "We wouldn't be able to handle things without the church," John says with a small shrug.

He is clear that they want a better life for their children, "Me and Danny didn't take school very seriously and now it's too late. We can't get training for better jobs and life is so complicated with all the kids and different problems." Still, John has plans.
"I want to rent a big house for me and my kids when Danny gets married. I want to get a steadier job with all the kids in school now and so I can make things right."

Fact: Nearly seven out of ten of Wisconsin's working poor families with children have no more than a high school degree or GED. Less than 10 percent of Wisconsin's working poor families have a college degree.

photo by Pete DiAntoni

Wisconsin's Working Poor Families

Too many workers have low wage jobs

We begin by analyzing jobs because we know that working poverty is first and foremost a question of job quality. One measure of job quality is simply the share of workers employed in poverty-wage jobs. These are jobs that pay wages insufficient to lift a full-time, year-round worker above the poverty line for a family of four — in 1997 dollars, $8.20 an hour or less. It is important to remember that this is a measure of the quality of jobs, not the size of a family's income. Not all workers who earn low wages actually live in poverty. They may be part of a household or family with other earners on whom they can rely for support. However, this threshold offers a good way to look at who is earning low wages and how that has changed over time.

The share of workers holding poverty-wage jobs has grown dramatically for the workforce as a whole, as well as the full-time, year-round workforce.

In 1997, 3 out of 10 Wisconsin workers held poverty-wage jobs. That's higher than in 1979, when just 1 in 4 Wisconsin workers held such jobs (see Table 1).

For full-time workers, the story is equally dramatic. In 1997, one out of five full-time, year-round workers held a poverty-wage job. That's 20 percent of Wisconsin adults earning less than it takes to keep a family of four out of poverty, up from 15 percent in 1979.

And when we look at who holds these low wage jobs, striking differences emerge:

4 out of 10 women in the state hold poverty-wage jobs.

Women generally earn less than men, and they are more than twice as likely as men to be employed

Table 1

Share of Wisconsin Workers Earning Poverty Wages in 1997 (wage less than $8.20/hr. in 1997 dollars)

		Share Earning Poverty Wages			Percent Change	
		1979	1989	1997	1979-97	1989-97
All Workers		26.4%	35.5%	30.7%	16.3%	-13.5%
Men	White	14.7	23.9	22.1	50.3	-7.5
	Black	17.7	30.0	41.2	132.8	37.3
Women	White	41.0	47.1	37.9	-7.6	-19.5
	Black	31.9	54.8	61.1	91.5	11.5

Source: *State of Working Wisconsin, 1998, Center on Wisconsin Strategy*

in a poverty-wage job. Single mothers often live in poverty because their jobs pay so little. The silver lining is that the share of women earning poverty wages is no higher today than it was in 1979.

4 out of 10 black men and 6 out of 10 black women in the state hold poverty-wage jobs.

African Americans in Wisconsin have seen a sharp decline in their opportunities for earning decent wages — more so than in the nation as a whole. We are now at a point where nearly half of the working black population does not hold a job that pays above the poverty line.

White men are the least likely to earn poverty wages, but things have gotten worse for them as well. In 1997, 22 percent of white men in Wisconsin held a poverty wage job, up from 15 percent in 1979.

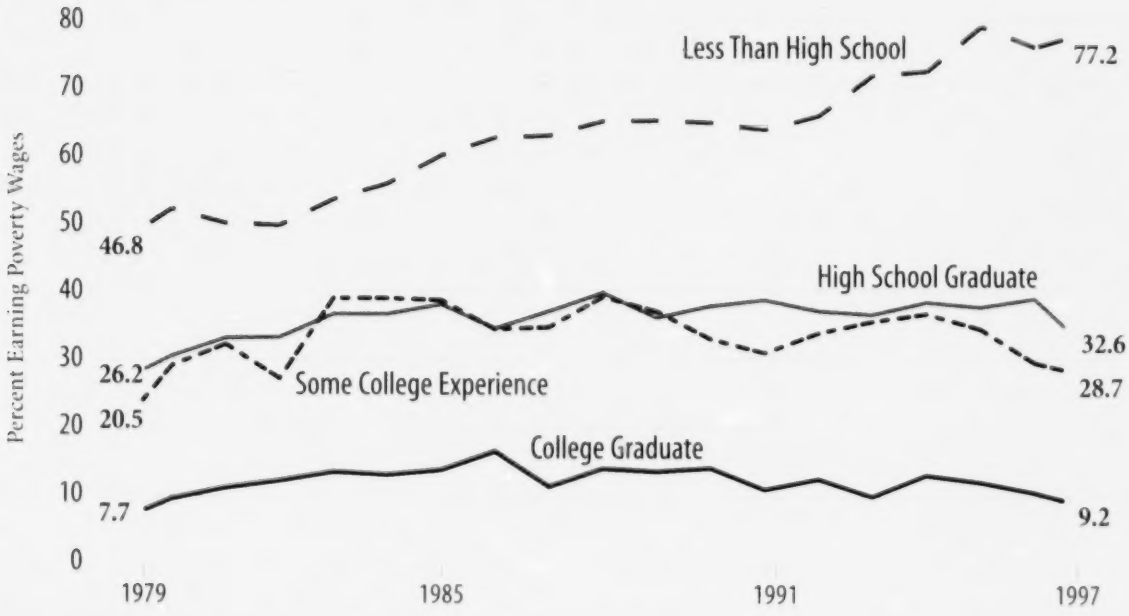
Less educated workers suffer the most from the expansion of poverty-wage jobs.

Three-quarters of Wisconsin high school dropouts and a third of high school graduates earned poverty wages in 1997, compared to less than 10 percent of college graduates (see Figure 1).

In sum, although our economy is generating abundant jobs, many of those jobs don't keep families out of poverty.

Figure 1

Share of Workers Earning Poverty Wages by Education in Wisconsin 1979-97



Source: *State of Working Wisconsin, 1998, Center on Wisconsin Strategy.*

Low wage jobs lead to poverty for Wisconsin families

When jobs increasingly offer poverty-level wages, Wisconsin's families increasingly live in poverty. While we often assume that work alone should be enough to lead to self-sufficiency, this is less true today than it was even twenty years ago. In fact, from the late 1970s to the second half of the 1990s, the share of Wisconsin's working families that didn't earn enough to get out of poverty nearly doubled.

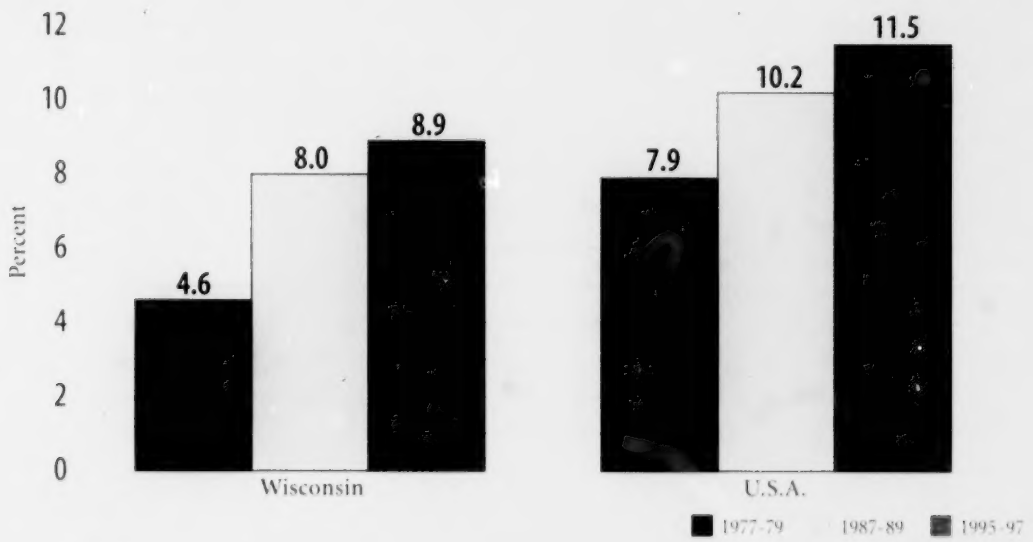
In the late 1970s, work was a relatively effective path to keeping families out of poverty. But now, nearly one in eleven working families with children is poor, despite their work – earning just $16,895 a year or less in 1999 dollars.

As Figure 2 shows, only 4.6 percent of working families with children were poor in Wisconsin in the late 1970s. This was about 40 percent less than the national level. But by the second half of the 1990s, 8.9 percent of working families with children were poor in Wisconsin—only 23 percent below the national level.

As a result, even after the economic expansion of the 1990s, 13 percent of Wisconsin children—fully 182,000—lived in poverty.

Figure 2

Share of Working Families with Children that were Poor in Wisconsin, 1970s to 1990s



Source: *State of Working Wisconsin, 1998, Center on Wisconsin Strategy.*

family profile

The Dolphin Family: Sun Prairie

Carrie Dolphin is 25 years old and has lived in Sun Prairie for six years with her seven year old daughter C.J. After graduating from high school Carrie felt she hadn't received the training to succeed in the workforce, so she went back to school and became a certified nursing assistant. Carrie has remained in the industry, working at nursing homes and doing home health care.

Currently she works at a residence facility where she cares for developmentally disabled adults during the night shift. She receives $9 an hour, plus forced weekly overtime when another worker misses a shift. Carrie stays at her job not because she likes it, but rather because she needs it, "I don't really like my job, but I tolerate it for the pay and benefits, the medical insurance, and the sick leave."

Finding childcare at night is a problem. "My boyfriend used to watch my daughter," says Carrie, "but we broke up. Now my mother and sister alternate watching C.J. while I work. I can concentrate better at work knowing she is secure."

Her take-home pay is about $1,400 per month, which is just enough to meet expenses if she works regular overtime and gets her child support. Although she got help from W-2's childcare program before she began her current job, she was initially unaware that she still qualified for a childcare subsidy while she worked. As a result, she lost four months of childcare assistance. "The program rules are very complicated, and though the people at the Job Center weren't exactly rude, they just didn't seem to want to help me," she observes. "I found out about the child care from a friend and then had to go back and ask for it."

As for her dreams, she is looking forward to a better tomorrow. "Someday I would like to do creative work, but I need help paying for school so I can get more training. I don't want to be penalized for trying to do better."

photo by Laura Bensman

What's behind the working poor problem?

Three main factors help to explain why working poverty continues to be so prevalent in Wisconsin: the strong growth in low-pay industries over the past two decades; the lack of full-time, year-round work; and the fact that low-wage jobs tend to trap workers and lead to low-wage careers.

Job growth is concentrated in low-paying industries

Wisconsin has historically had a strong manufacturing base, offering middle-class wages and good benefits to workers without a college degree. Like the rest of the nation, however, Wisconsin saw a shift from manufacturing to service industries over the past two decades. Though Wisconsin has managed to retain a larger share of manufacturing jobs than most states, the majority of its job growth has come from retail trade and service industries.

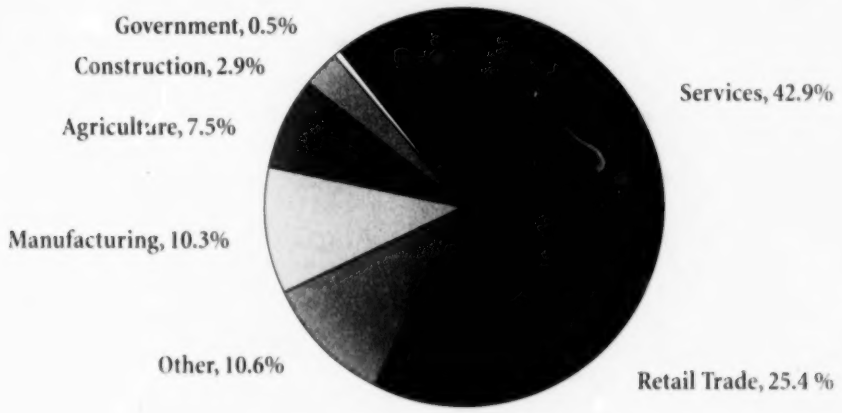
Between 1982 and 1998, retail trade and services industries accounted for 56 percent of Wisconsin's net job growth.

These industries contain large numbers of low-wage jobs. In 1998, the average weekly pay for Wisconsin in the retail trade industry was $275. In services industries, it was $478. Compare these earnings to those in manufacturing ($700), construction ($684), and finance, insurance, and real estate ($699 a week).

In the second half of the 1990s, most (68.3 percent) Wisconsin working parents with low hourly earnings held jobs in retail trade and services industries (see Figure 3).

Figure 3

Working Parents with Low Hourly Earnings by Industry in Wisconsin, 1995-97



Source: Center on Budget and Policy Priorities, 1998

family profile

The St. Louis Family: Green Bay

Susan St. Louis is 27 years old and a lifelong resident of Green Bay. She was married briefly but separated before her daughter Haley, now six, was born. Haley's father lives in Alaska. Susan also has a nine-month-old son, Brady, whose father is in jail.

Susie, her children, her mother and 2 dogs have been living in a 2-bedroom house for the past four years. The house is old and literally falling apart. Until recently Haley had her own room, but the ceiling fell down so she is now sharing Susie's bed. Brady's crib is in that bedroom as well. Susie is understandably frustrated by the situation, "I do not earn enough to be able to live on my own, but I make too much to get housing assistance."

Susie graduated from high school in 1991 and briefly attended technical school where she studied data entry. Pregnant, and not very interested in school, she quit a few months into the first semester. After Haley was born she began working fast food jobs paying $7 to $7.25 per hour. Working fast food was hard for Susan, "I was depressed and never wanted to get out of bed." Since January, however, she has been thrilled to work as a parent assistant at the elementary school where Haley is a first grader. There she works 15 hours per week and makes $7.00 an hour.

She also works part time as a bus aide for Head Start earning $9.60 an hour and putting in 16 hours per week. She is interested in going back to school for teaching, but she says, "I don't think it will be possible. I will be working full-time next year and I want to have time to spend with Haley and Brady."

Susan has never had health insurance through a job. She is enrolled in BadgerCare and her children are covered by Healthy Start. Since Susie cannot afford childcare and her mother cannot work for health reasons, her mom watches Brady while Susie is at work. Susan was told that she is ineligible for food stamps because her mother's social security income is counted. She uses the local food pantries several times a month to stretch her budget.

Susie dreams of a better life for her kids, "I want to move into a neighborhood where there is no crime. Now, I don't let the kids out of the house alone because I am afraid of what they will come in contact with."

photo by Laura Bensman

Lack of full-time, year-round jobs

Some families remain poor not only because they have jobs in low-paying industries, but also because their jobs are unstable and offer only seasonal or part-time employment. Workers in poverty are much less likely to be engaged in full-time, year-round jobs and instead bounce through a series of part-time, short-lived jobs.

While 84.3 percent of working poor families had at least one working parent, only 24 percent worked the equivalent of full-time, year-round in the years 1995–1997.

By contrast, of the families earning 100 to 200 percent of the poverty line, 63.3 percent engaged in full-time, year-round work.

Workers get caught in the low-wage career trap

An important part of the reality of being a poor worker is that it is a long-term state, one that is very hard to get out of. We call this the 'stickiness' of low-wage jobs: for a variety of reasons, some having to do with the worker, some having to do with the jobs themselves, holding a low-wage job often means chronic cycling from one bad job to another, with little gain over a career.

Table 2 shows that in 1990, 31.8 percent of workers in the state had quarterly earnings insufficient to lift a family of four above the official poverty line.

Table 2

The Persistence of Low Earnings over Time in Wisconsin

In 1990, Percent of workers...	Where did they end up in 1997?	
...who held a poverty wage job 31.8%	Still in a poverty wage job	53.5%
	Earned 100-150% of poverty line	25.7%
	Earned 150-200% of poverty line	11.6%
	Earned above 200%	9.2%
...who held a higher-paying job 68.2%	Moved into a poverty wage job	11.0%
	Earned 100-150% of poverty line	16.1%
	Earned 150-200% of poverty line	21.0%
	Earned above 200%	52.0%

Source: Authors' analysis of Wisconsin's Unemployment Insurance Records from 1990 and 1997.

family profile

The Johnson Family: Beloit

Renee Johnson's duties never seem to end. She has two daughters, Areather, 18, and Jessica, 13. She also takes care of Areather's two-year-old, Jahara, much of the time. Plus there's her full-time, third shift job, which is a 34-mile, 60-minute round trip every day.

Renee, born and raised in Chicago, moved to Beloit ten years ago. After two years she was able to get Section 8 subsidized housing, so she doesn't want to move. The best job she could find is in Janesville, where she earns $8 an hour making powdered alloy molds for blades and gears. The next level pays $8.90 an hour and the top pay is $11.75, should Renee ever get to that level.

Because Renee doesn't have a driver's license, Areather drives her to work. Areather also works in Janesville, but on a first shift job, so she must make the trip between the two cities ten times each week – a total of 340 miles.

Renee is a high school graduate and has tried to get better jobs, but hasn't succeeded. She had jobs at Swiss Colony and a Holiday Inn, but the pay at those jobs was less than $7 an hour. In the late 1980s she attended cosmetology school and was left saddled with a $2,500 student loan. In 1993, while receiving AFDC, she returned to school to study robotics technology at Blackhawk Tech. Although she liked the training, she had to quit after one year because she couldn't afford to pay for it, and her outstanding loan disqualified her from getting financial assistance. She worked four years as a sewing machine operator, but was laid off in December 1999.

Healthy Start and childcare assistance cover Areather and her daughter, but Areather was told she is ineligible for food stamps and W-2. Since Areather is under 22 and living with her mother, Renee has to apply for food stamps for the entire household. Neither Renee nor Jessica has health insurance.

Renee still dreams of going to school for computer training, getting her driver's license and doing something besides factory work. She'd like to get her credit straightened out and buy a home some day. Her wages are so low she can't afford to buy school supplies for her daughter Jessica. "It's hard," Renee says. "I hope my daughters don't fall into the same pattern." But she feels their options are limited by their financial situation.

photo by Laura Bensman

Eight years later, fully 53.5 percent of those same workers still held a poverty-wage job. Only 11.6 percent had managed to reach the pay range of 150 to 200 percent of the poverty line. And only 9 percent had managed to rise into a job paying 200 percent of the poverty line or more.

By contrast, the large majority of Wisconsin workers who were above the poverty line in 1990 were still above it in 1997 (89 percent). In fact, more than half were earning at least 200 percent of the poverty line.

Thus there is a serious problem with low-wage jobs, beyond how little they pay at a given point in time. Over the long run, they often lead to low-wage careers.

Low wages are a problem throughout the state

No region is immune to the problem of low-wage work.

The map in Figure 4 shows where the working poor in Wisconsin were located in 1997. Clearly, the large majority is in just a few counties: Milwaukee, Waukesha, Dane, Brown, and Outagamie.

But this map only tells part of the story. We also approach this issue from another angle, and instead ask, within each county, how many workers are earning wages below the poverty line? This is a question about communities and the type of opportunities they offer to their residents.

The map in Figure 5 shows, of all the workers within each county, the percentage that hold poverty-wage jobs. Residents of rural counties in Wisconsin clearly have a higher likelihood of holding a poverty-wage job than do urban residents.

The majority of Wisconsin's jobs are in urban areas; therefore, the majority of poverty-wage jobs are also in urban areas. But a higher percentage of jobs in rural areas pay very low wages.

The upshot, then, is that the working poor are every region's problem. The challenge of raising living standards for working families spans the state, and can only be solved through concerted action on all fronts—urban and rural, regional and statewide.

family profile

The Stowell Family: Yuba

Warren Stowell is a dairy farmer who loves the farming life. He has lived in Yuba (near Baraboo) all of his 46 years. After graduating from high school, he got married and with his wife has raised three daughters: Jamie, 21, who's now living on her own, Rebecca, 16, and fourteen-year-old Amy.

The Stowells have always had trouble making ends meet through farming, but the struggle has increased in recent years. In 1999 this family of four made just $11,008 in taxable income. "If things continue the way they are," Warren laments, "we won't be farming next year." Mrs. Stowell works as a substitute teacher when she can. But she only gets $6 an hour for an hour and a half a day, and the work is very infrequent.

Warren says the government needs to do more to protect farmers. "Why do we import milk from California," he asks, "instead of supporting the small dairy farmers that are already here? All we ask for is a fair chance -- and fair prices for our milk."

Lately, the biweekly check for the milk they sell hasn't been enough to pay their bills. When money is tight, they cut back, even on heat and electricity. He has to buy his own health insurance at $196 a month, with a $2,500 deductible. Warren's family has never used BadgerCare or any other state subsidy program. "We don't ask anyone for help," he says. "I've got too much pride." Renting farmland costs the Stowells $800 a month, utilities are $200, the phone is $80, and insurance for their vehicles is $100. Their grocery bill is low, about $200 a month, because the Stowells produce most of the food they need. Besides dairy farming, they can vegetables and raise pigs and chickens for meat.

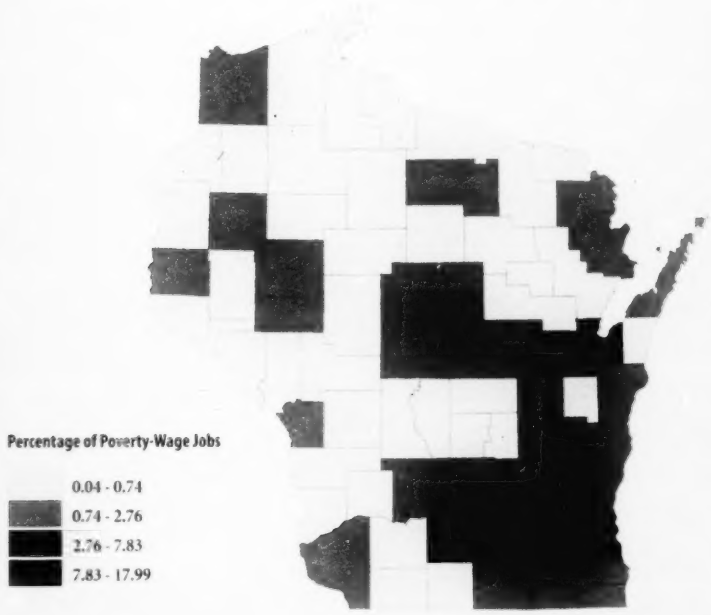
Like many families struggling to get by, the Stowells often have to let bills pile up. Warren says they can't spend much on his daughters. When he can afford to, he allocates about $100 for clothes and other necessities. When it comes to getting by, "Mostly," Warren says, "we pray."

Fact: 39 percent of Wisconsin's working poor families with children live in rural parts of the state.

photo by Laura Bensman

Figure 4

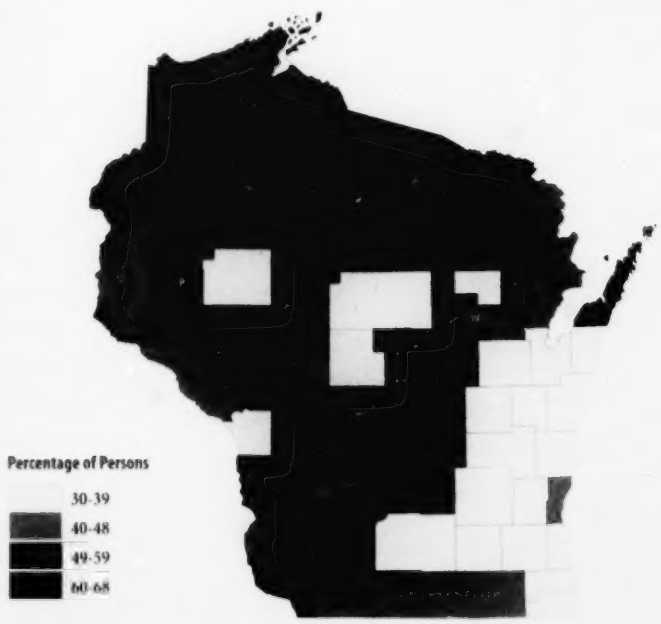
Percentage of All Poverty-Wage Workers in Each County (1997)



Source: Center on Wisconsin Strategy, 2000.

Figure 5

Within Each County, Percentage of Workers with a Poverty-Wage Job (1997)



Source: Center on Wisconsin Strategy, 2000.

Policy Recommendations

Simply expanding the number of jobs is obviously not the route to a brighter economic future for all Wisconsinites. To truly reward work and support families, policy adjustments are necessary. Only then can we ensure that all Wisconsin families are moving towards economic self-sufficiency and increased family stability.

Achieving these goals will require a set of policy changes that "make work pay" – policies that increase wages, enable workers to improve their job skills, and expand the earned income tax credit. But improving the economic opportunities for low-income workers is not sufficient to help them escape the "poverty trap". Public benefits and tax credits phase out so quickly that low-income parents who earn more often find that their disposable income stagnates or even declines. Solving this problem necessitates expanding eligibility for basic supports and services, such as quality health care and childcare.

Improving the support services for Wisconsin families has another critical benefit – enabling working parents to hold onto their jobs and succeed in the workplace. Parents suffering from untreated health problems, struggling with unreliable childcare, or coping with a housing or transportation crisis cannot be expected to be productive and stable employees.

The following recommendations provide policymakers with the most critically needed changes to support families who are working and still struggling—families like those profiled throughout this report.

Make Work Pay

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) provides a tremendous boost to the incomes of working poor families. However, the current structure of the federal credit penalizes families who earn more. The following change would mitigate the existing work penalty:

> Adjust the federal EITC so it phases out more slowly (as income increases) and expand the credit for married, two-earner couples. These changes are included in a proposal by President Clinton and a plan endorsed by Wisconsin Congressman Petri. (These changes to the federal EITC would also indirectly boost Wisconsin's own EITC, since it is linked to the federal credit.)

Minimum Wage

Increasing the earnings for workers at the bottom of the labor market is one direct way to make work pay. Contrary to the popular image, most minimum wage workers are making direct contributions to family income.

> Increase the state minimum wage and index it for inflation. Ten states have minimum wages higher than the federal level. Washington State, for example, recently enacted an increase to $6.50 per hour, effective in January 2001, with indexing for inflation in subsequent years.

Education and Training / Industry Partnerships

Even as low-wage workers struggle to get out of the low-wage job trap, employers in some of Wisconsin's best paying industries are struggling to find qualified workers. Wisconsin is in an ideal position to overcome the skill gap in ways that payoff for both businesses and workers. Wisconsin also is home to one of the nation's premier industry partnerships, the Wisconsin Regional Training Partnership (WRTP), a partnership of more than 60 firms in Milwaukee's durable manufacturing sector that has implemented strategies to overcome the gap in the Milwaukee region.

Implement and expand workforce development and training initiatives for the current workforce that allow people to move into family-supporting jobs.

Expand and replicate comprehensive partnerships in leading industries that support technology upgrading, workplace education, and employment assistance for disadvantaged workers.

Wisconsin Regional Training Partnership (WRTP): In 1992, Milwaukee business and labor leaders formed the Wisconsin Regional Training Partnership to promote family-supporting jobs in a highly competitive manufacturing environment. The WRTP builds partnerships between the public, private, and non-profit sectors to unite the employment and training needs of workers with the workforce needs of employers. It is currently the largest sectoral consortium in the country, with 64 member firms that employ some 60,000 state residents in machining, electronics, plastics, and related sectors. More than half of those members are small to medium size firms with 500 employers or fewer.

The Partnership has developed successful models for: (1) implementing new technologies and work processes; (2) educating and training the current workforce; and (3) ensuring an adequate supply of skilled workers in the future. These models have enabled members of the WRTP to obtain significant improvements in business performance, achieve substantial increases in employment, and attract qualified workers into manufacturing. Perhaps most important, the direct linking of training and placement has opened up access to good jobs for disadvantaged workers.

Project QUEST: San Antonio's Project QUEST was developed in direct response to community concerns about increased inequalities in the San Antonio job market. QUEST begins by targeting sectors with good jobs and room for advancement, including health care, electronics, maintenance and repair, and business systems. QUEST then recruits job seekers directly through outreach centers in the community. Participants must have a high-school diploma or GED (those without are referred to agencies who can help them) and must attend weekly counseling sessions.

Participants choose a target occupation, work with a QUEST counselor to create an employment plan, and are enrolled in an appropriate training program. QUEST lends assistance with food stamps, transportation and childcare. Once training is completed, participants are placed in a position that has been committed by area employers.
The success of QUEST comes from its ties to the community, its ability to hold participants accountable, and most important, from its strong coordinating role.

Business Subsidies

Wisconsin provides tens of millions of dollars in economic development to firms every year in the name of creating and retaining jobs. Despite the huge amount of money involved there is very little reporting to determine if the jobs we are subsidizing are supporting working families. The following changes would improve accountability and increase the cost-effectiveness of Wisconsin's business subsidies:

Implement a reporting system similar to those in Minnesota and Maine to answer such questions as: how many jobs were created or retained, what were the wages and employer-provided health care benefits of those jobs, and in what industries were those jobs.

Require local and state agencies to develop criteria for awarding subsidies, including a policy for wages and benefits for newly-created jobs. Companies that fail to meet their wage and job creation goals within a reasonable time frame would be required to pay back, with interest, at least a prorated amount of the development assistance.

Support Working Families

Outreach and Enrollment

The profiles in this report illustrate that many families are unaware of the supports they may be eligible for or are intimidated by the application and enrollment procedures.

Expand outreach initiatives and simplify enrollment processes to make sure that eligible families know about and take advantage of critical support services.

Childcare

Wisconsin, like most other states, faces a host of challenges in providing access to quality childcare for working families. Arguably the most expensive item in a family's budget, full-time licensed care typically costs upwards of $7,000 per year. The following recommendations would make the already innovative childcare subsidy program more successful:

Make the Wisconsin Shares childcare subsidies more accessible to parents enrolled in higher education programs;

Explore the feasibility of expanding access to childcare subsidies to families with incomes up to 250% of the federal poverty line (as allowed by federal rules) to address the current "cliff effects" in the childcare subsidy program that occur when families reach income limits, and lose benefits before they are able to cover these costs independently.

Rhode Island's "Starting Right" Program: In 1999 Rhode Island enacted a comprehensive early childcare and education bill called "Starting RIght". A key component of the bill is expansion of the state's subsidized childcare program to 250 percent of the federal poverty level in 2001. Rhode Island currently serves families up to 225 percent of the poverty level, and unlike some other states that have high eligibility standards, it has no waiting list for childcare. In fact, Rhode Island makes childcare an entitlement for all working parents who meet the income eligibility standards. The new law also includes $984,000 to support start-up and innovative programs and an increase of $700,000 for training and accreditation.

Since 1996 Rhode Island has made the state's Medicaid insurance plan available to childcare providers who are serving children receiving subsidized childcare. This initiative extends health insurance coverage to a group of employees who often lack insurance, and it improves worker benefits and retention without increasing childcare fees.

Medical Coverage

In recent years, Wisconsin has taken significant steps forward to ensure that increased numbers of low-income workers have access to health insurance. The state's innovative BadgerCare program (which essentially expands access to Medicaid to low-income working families) is generally considered to be a success, with more than 60,000 people enrolled. However, specific policy changes are needed to continue the state's progress in improving access to health insurance for uninsured low-wage workers and their families, including:

Eliminate or reduce the BadgerCare premiums that have proven to be a significant impediment to enrollment for families over 150% of the federal poverty line;

Assess the feasibility of expanding BadgerCare coverage to families with incomes up to 250% of the federal poverty line (as federal rules allow).

Vermont's Health Care Initiatives: Vermont has emerged in recent years as a national leader in moving toward the goal of achieving nearly universal access to health insurance. Using funding from the federal Child Health Insurance Program (CHIP), the state expanded its Medicaid program for children to 300 percent of the federal poverty level in November 1998. This program, known as Dr. Dynasaur, covers children through age 17. Dr. Dynasaur does not employ an assets test and charges no premiums for children in families below 185 percent of the poverty level. The state charges modest monthly premiums, up to a maximum of $50 per household, for families between 225 and 300 percent of the poverty level.

Another important part of the state's health care initiatives is the Vermont Health Access Plan (VHAP), which was first implemented in January 1996. This program uses funding from an increase in Vermont's tobacco tax to provide health care services to low-income uninsured adults and low-income elderly or disabled individuals who are provided a pharmacy benefit. VHAP was expanded last year to cover uninsured adults up to 185 percent of the poverty level.

Housing

Housing is one of the most expensive and least flexible parts of a low-income family's budget. As well, the supply of housing units affordable to low-income families continues to shrink — as a result, many families struggle to maintain a stable housing situation, which in turn undermines their attempts to maintain steady employment.

> Develop initiatives to stabilize housing for low-income families; models such as the rent voucher programs utilized by other states should be considered.

Minnesota Rent Assistance Program: Since 1992, Minnesota has operated a rental subsidy program that helps low-income families keep their housing costs to a manageable portion of their budget. This program, known formally as the Minnesota Rent Assistance for Family Stabilization Demonstration Program, provides vouchers to families participating in the state's welfare reform initiative. The rental subsidy can be as high as $250 per month in metropolitan counties and $200 per month in non-metropolitan areas. A participating renter pays 30 percent of family income plus any difference between rent and the subsidy amount.

The Minnesota rent assistance program currently serves about 640 families. The program was initially funded with state tax revenue, but is currently funded with $4.2 million annually from the state's allocation of federal welfare (TANF) funds.

Transportation

Lack of reliable, affordable transportation is a significant problem for low-income working families. Numerous efforts have focused on mass transit options, which, though important, ignore the reality that mass transportation is simply not an option in many parts of the state. Recommendations to help families stabilize their transportation situation include the following:

> Expand efforts to create individual transportation solutions, such as low-cost car loans and innovative repair programs;

> Help low-income workers regain their suspended driving privileges. Often, prohibitive fines (many times for minor traffic violations) have accumulated, and families are unable to obtain a new license — necessary for most jobs — or risk driving on a suspended license.

"Work for Wheels": Lockheed Martin, which holds the contract to administer welfare services in Dallas, Texas, has developed an innovative transportation initiative called "Work for Wheels." Essentially a van-pool service with a twist, "Work for Wheels" aims to help those leaving welfare overcome transportation barriers and get to their new work sites. Riders' fares for using these van services are held in a special account. If a worker maintains employment for three months, she gets all the saved funds back to use towards a car down payment. The fares, which amount to only a few dollars for each leg of the transit, can add up to considerable amounts of money over time. Lockheed will also work with local car dealers to help the worker get the necessary financing.

Data Sources and Definitions

Data Sources

Center on Budget and Policy Priorities: Some of the data presented in this report come from the Center of Budget and Policy Priorities' analysis of the Current Population Survey (CPS). The CPS is a survey of roughly 50,000 households nationwide conducted every month. The data used here come from the March CPS, which includes questions on income and employment in the previous calendar year. The CBPP report presents the averages of March CPS data for the calendar years 1995 through 1997, a period referred to as "the second half of the 1990s" when not explicitly stated. Combining data for three years provides a larger sample and thus more reliable findings. The Center on Budget and Policy Priorities compiled these data in a report entitled, "The Poverty Despite Work Handbook: Data and Guidelines for Preparing a Report on the Working Poor in Each State."

Current Population Survey: The data on poverty wages and earners stem from an analysis of the March Current Population Survey conducted by the Center on Wisconsin Strategy.

Bureau of Labor Statistics: The data on average weekly pay and net job growth by industry come from the U. S. Bureau of Labor Statistics' "ES202" data series, which is based on reports employers file as part of their unemployment compensation taxes. The data are published in a BLS publication entitled, "Average Annual Pay by State and Industry." Average weekly pay is calculated simply by dividing the average annual pay by 52. The net job growth attributed to a particular sector is calculated by dividing the job growth in an industry by the total job growth over the time period.

Department of Workforce Development: For Table 2 and Figures 4 and 5, we use a 5% sample of wage records drawn from the Unemployment Insurance data files that are maintained by the State of Wisconsin, Department of Workforce Development. The sample was given to COWS under a license designed to maintain the confidentiality of individual records; we therefore report only aggregate data. A worker's quarterly wage record was included in this sample if he or she held that same job in the previous and following quarters. This was done in order to ensure that the quarterly earnings reported represent earnings for a full quarter of work, not just some part of that quarter.

Family Profiles: The family profiles were based upon interviews conducted by AFL-CIO community liaisons, Wisconsin Council on Children and Families, and Institute for Wisconsin's Future staff. All interviews took place between March and May 2000. Most were conducted at the interviewees' homes; one took place at the profiled parent's place of employment. Photos of the families are credited to Pete DiAntoni and Laura Bensman.

Defining Poverty

In the 1950s, the "poverty line" entered the national pantheon of statistics. The definition was imperfect when it was developed and the problems with it — e.g., inattention to regional price variation and shifts in housing and health care costs — have grown over time. However, it remains the most common benchmark on material deprivation, the key indicator of life in poverty. For a family of four in 1999, the poverty line was just $16,895.

Throughout the report, "poverty" refers to individuals, families, and households with total income below the federal poverty line for their household. "Income" as used here simply means all sources of money — principally wages, but also salaries, rents, interest, dividends, and cash entitlements — available to an individual or group. "Family" denotes a household of two or more related persons living together.

As much as possible, we try to present current data. For information about the poverty status of individual workers, 1997 is the most recent year available. For information about the poverty status of families and their children, we use pooled data from 1995 to 1997. The data from years 1995 and 1996 are prior to welfare reform but the data from 1997 give numbers reflective of the dramatic changes in the welfare system. Therefore, reporting on the conditions of families, our numbers include both before and after Wisconsin's 1996 welfare reform, which required welfare recipients to work. Welfare reform had a tremendous impact on labor force participation rates, and so our mid-late 1990s data may somewhat underestimate the current prevalence of working among Wisconsin's poor.

For More Information

THE CENTER ON WISCONSIN STRATEGY

The Center on Wisconsin Strategy (COWS), based at the University of Wisconsin-Madison with a field office in Milwaukee, is a research and policy center dedicated to improving economic performance and living standards in the State of Wisconsin.

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THE INSTITUTE FOR WISCONSIN'S FUTURE

The Institute for Wisconsin's Future (IWF) is a nonprofit public policy research and community education center. Its mission is to inform Wisconsin residents about issues and policies that affect their lives and to encourage broader citizen involvement in public policy debates and decision making.

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WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The WCCF is an independent child advocacy organization that promotes the well-being of children and families in Wisconsin. Through a combination of research, policy analysis, coalition building, and public education, WCCF advocates for effective and efficient health, education, and human service delivery systems.

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